

Message Text

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72

ACTION IO-14

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E. O. 11652: N/A

TAGS: AORG, AFIN, IAEA, TW

SUBJECT: ROC ARREARAGES IN IAEA ASSESSED CONTRIBUTIONS

1. SUMMARY: ARREARS OF ASSESSED CONTRIBUTIONS TO IAE LEFT BY REPUBLIC OF CHINA WHEN IT DEPARTED FROM AGENCY HAVE BEEN WRITTEN OFF AGAINST BOOK SURPLUSES. AGENCY ACCOUNTS FOR 1973, TO BE PRESENTED TO A&B COMMITTEE NEXT MARCH, WILL EXPLAIN TRANSACTION, AND MATTER WILL THEN DISAPPEAR. END SUMMARY.

2. AFTER BOARD OF GOVERNORS DECISION OF DECEMBER 9, 1971, WHICH RESULTED IN DEPARTURE OF ROC REPRESENTATIVES FROM PLACE OCCUPIED BY CHINA IN IAEA, ARREARS OF ASSESSED CONTRIBUTIONS DUE FROM CHINA, AFTER APPLICATION OF ADVANCE TO WORKING CAPITAL FUND, TOTALLED \$1,365,394. AGENCY SITUATION WITH RESPECT THESE ARREARAGES WAS FUNDAMENTALLY DIFFERENT FROM THAT OF SOME OTHER ORGANIZATIONS IN THAT AGENCY BOOKS INCLUDED UNDISTRIBUTED BUDGETARY SURPLUS (E.E., AMOUNTS NEVER PAID IN CASH BY ROC, NEVER EXPENDED AND NEVER RETURNED TO MEMBERS) SUFFICIENT TO EQUAL THIS AMOUNT.

3. UK AND INDIA HAVE BOTH, AT MEETINGS OF BOARD OR A&B COMMITTEE THIS YEAR, RECOMMENDED THAT AGENCY USE DEVICE OF TRANSFER OF ROC ARREARS TO SPECIAL ACCOUNT, AS WAS DONE IN OTHER ORGANIZATIONS, TO CLEAR THEM FROM CURRENT ACCOUNTS OF OVERDUE PAYABLE ARREARS.

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AFTER CHECKING WITH BOTH MISSIONS AND RECEIVING NO OBJECTION,

AGENCY INQUIRED WHETHER EXTERNAL AUDITOR WOULD AGREE TO FOLLOWING PROCEDURE FOR COMPLETE ELIMINATION OF ROC ARREARS: (A) CREATION OF SPECIAL ACCOUNT, TO WHICH ARREARS WOULD BE TRANSFERRED; (B) TRANSFER TO SAME ACCOUNT OF EQUAL AMOUNT OF UNDISTRIBUTED BUDGETARY SURPLUS; (C) CANCELLATION OF AMOUNTS AGAINST EACH OTHER, AND CLOSING OF SPECIAL ACCOUNT AT ONCE AND FOR GOOD. AUDITOR APPROVED. SINCE ACCOUNT CLOSED, IT WILL NOT APPEAR AS SEPARATE SCHEDULE IN AGENCY'S ACCOUNTS FOR 1973. DESCRIPTION OF TRANSACTION WILL BE CONTAINED IN BRIEF NARRATIVE PARAGRAPH WHICH WILL REFER TO ARREARS DUE FROM MEMBER AFFECTED BY BOARD DECISION OF DECEMBER 9, 1971, OR, IF EXTERNAL AUDITOR WILL APPROVE, SIMPLY TO ARREARS RELATED TO BOARD DECISION WITHOUT EVEN USE OF TERM QTE MEMBER UNQTE. NAME OF CHINA WOULD NOT RPT NOT BE MENTIONED.

4. SECRETARIAT INQUIRED WHETHER MISSION SAW ANY OBJECTION TO ABOVE PROCEDURE QUIETLY BEING IMPLEMENTED. ON ASSURANCE THAT UK AND INDIA WOULD NOT QUESTION IT, MISSION INFORMED SECRETARIAT THAT WE SAW NO OBJECTIONS.

5. ACCORDINGLY, TRANSACTION AS OUTLINED ABOVE WAS POSTED ON AGENCY'S BOOKS AS OF SEPTEMBER 26. ONLY BOARD ACTION REQUIRED WILL BE TO APPROVE AUDITED ACCOUNTS FOR 1973 NEXT SPRING. TRANSACTION WILL NOT RPT NOT REQUIRE MENTION IN ACCOUNTS FOR 1974 OR SUCCEEDING YEARS.

6. ABOVE PARALLELS DECISION BY SECRETARIAT TO QUIETLY DROP NAME OF CHINA FROM LIST OF AGENCY MEMBERS SUBSEQUENT TO LAST BOARD SESSION (WHICH HELD ON SEPT 14) AFTER WHICH SEAT TO WHICH CHINA ELECTED IN 1971 WOULD BE FILLED BY NEW MEMBER ELECTED BY GENERAL CONFERENCE (KOREA WAS ELECTED TO SEAT ON SEPT 24). PORTER

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